

**CITY OF CASTROVILLE, TEXAS**

**ANNUAL  
FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2013**



CITY OF CASTROVILLE  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**TABLE OF CONTENTS**

**INTRODUCTORY SCHEDULE**

	<u>PAGE</u>
TITLE PAGE	i
TABLE OF CONTENTS	ii
PRINCIPAL OFFICERS	iv
ORGANIZATIONAL CHART	v

**FINANCIAL SECTION**

INDEPENDENT AUDITOR’S REPORT .....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS.....	11
STATEMENT OF NET POSITION.....	12
STATEMENT OF ACTIVITIES.....	13
BALANCE SHEET - GOVERNMENTAL FUNDS.....	15
RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET TO THE STATEMENT OF NET POSITION.....	16
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS .....	17
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES ..	18
STATEMENT OF NET POSITION – PROPRIETARY FUND.....	19
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND.....	20
STATEMENT OF CASH FLOWS - PROPRIETARY FUND .....	21
NOTES TO BASIC FINANCIAL STATEMENTS .....	23
REQUIRED SUPPLEMENTARY INFORMATION.....	44
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND .....	45
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND .....	46
TEXAS MUNICIPAL RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS – DEFINED BENEFIT - LAST FOUR CALENDAR YEARS.....	47

CITY OF CASTROVILLE  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**TABLE OF CONTENTS (Continued)**

**FINANCIAL SECTION (Continued)**

	<b><u>PAGE</u></b>
SUPPLEMENTARY INFORMATION.....	48
COMPARATIVE BALANCE SHEETS - GENERAL FUND.....	49
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND .....	50
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS.....	51
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS .....	54

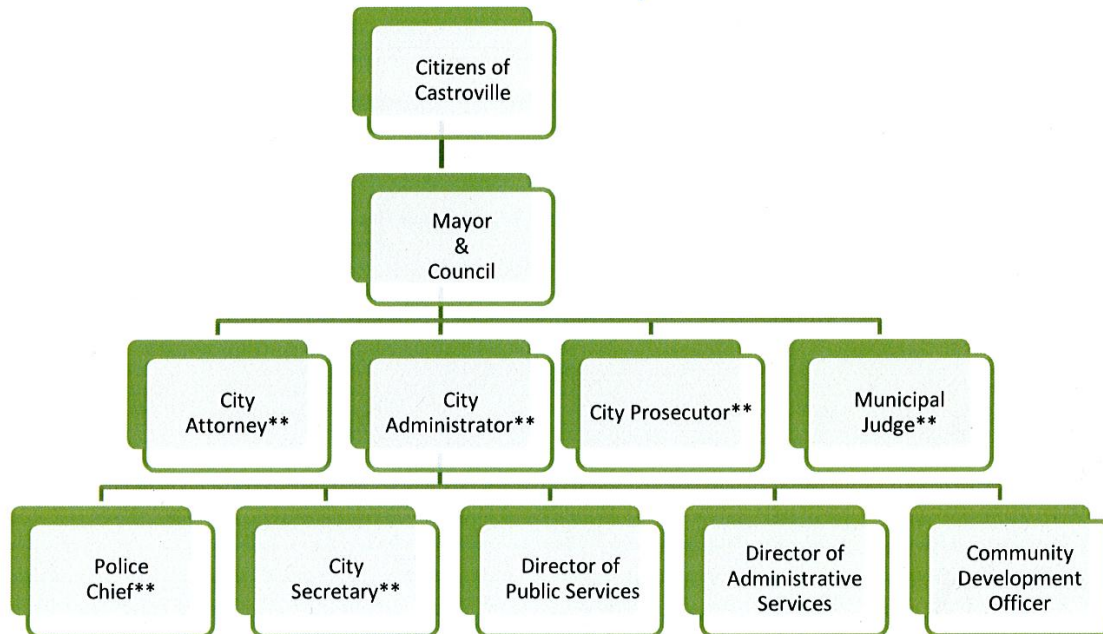
CITY OF CASTROVILLE

PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR	ROBERT “BOB” LEE
MAYOR PRO-TEM	JEFF GARDNER
CITY COUNCIL	SAMMY TSCHIRHART
	KYLE MCVAY
	ERIC CHERRY
	VICTOR ORTIZ, JR.
CITY ADMINISTRATOR	PAUL HOFMANN
ADMINISTRATIVE SERVICES DIRECTOR	MARIE GELLES
ACCOUNTING AND BUDGET MANAGER	RICHARD ROTHSTEIN
ATTORNEY	DENTON, NAVARRO, ROCHA & BERNAL
AUDITOR	ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.

CITY OF CASTROVILLE  
ORGANIZATIONAL CHART



\*\* Appointment approved by City Council



## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and  
Members of the City Council  
City of Castroville

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Castroville, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The City of Castroville's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Castroville, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and schedule of funding progress as identified in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Castroville's financial statements as a whole. The comparative statements and combining statements are presented for purposes of additional analysis and are not a required part of the financial statements. The comparative statements and combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Armstrong, Vaughan & Associates, P.C.

January 15, 2014



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Castroville's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

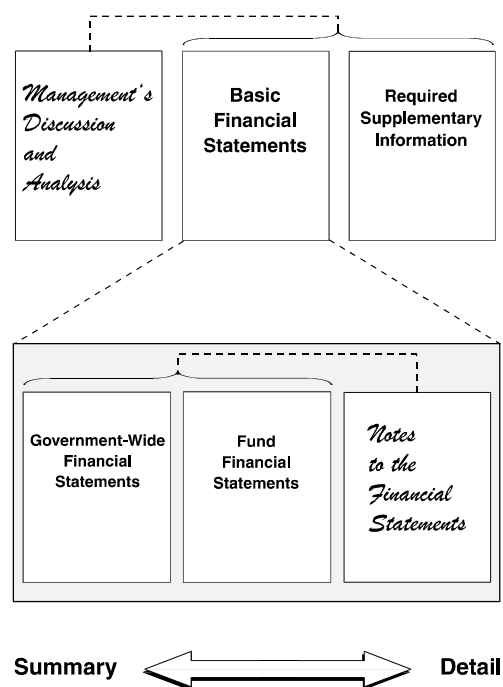
- The assets and deferred outflows of the City exceeded its liabilities by \$11,086,684 (total net position) at September 30, 2013. Of this amount, \$4,398,398 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- During the year, the City's total net position increased by \$1,009,090.
- As of September 30, 2013, the City's governmental funds reported combined ending fund balances of \$1,407,113, an increase of \$319,852 from the prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

<b>Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements</b>			
<b>Fund Statements</b>			
<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the city that are not proprietary or fiduciary	Activities the City operates similar to private businesses: water and sewer
<i>Required financial statements</i>	• Statement of net position	• Balance Sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses & changes in net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### **Government-Wide Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances.

*The statement of net position* presents information on all of the City's assets, deferred outflows, deferred inflows, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

*The statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general administration, public safety, public works and park maintenance. The business-type activities of the City include a Utility fund and an Airport fund.

The government-wide financial statements include only the City itself (known as the primary government).

The government-wide financial statements can be found on pages 12-14 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into two categories: governmental and proprietary.

***Governmental funds:*** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all governmental funds. A budgetary comparison schedule has been provided as supplementary information to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

***Proprietary funds:*** The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Utility and Airport activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility fund, the Airport fund and the Utility Capital Projects fund, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 19-22 of this report.

**Notes to the basic financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-43 of this report.

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's adopted budget and the City's progress in funding its obligation to provide pension benefits to its employees. The required supplementary information related to the budget and pension benefits can be found on pages 44-47 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 51-54 of this report.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities by \$11,086,684 at the close of fiscal year 2013.

By far the largest portion of the City's net position (57%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following table provides a summary of the City's net assets at September 30, 2013. (See Table A-1).

<p align="center"><b>Table A-1</b> City's Net Position</p>							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change Based on Actual
	2013	2012	2013	2012*	2013	2012	2013 - 2012
<i>Assets:</i>							
Current and Other Assets	\$ 1,627,128	\$ 1,282,149	\$ 3,944,510	\$ 2,905,692	\$ 5,571,638	\$ 4,187,841	33.0
Capital Assets (net)	1,954,462	2,001,037	6,672,422	6,707,806	8,626,884	8,708,843	(0.9)
<i>Total Assets</i>	<u>3,581,590</u>	<u>3,283,186</u>	<u>10,616,932</u>	<u>9,613,498</u>	<u>14,198,522</u>	<u>12,896,684</u>	10.1
<i>Deferred Outflows:</i>							
Deferred Charge on Refunding	43,589	-	13,470	-	57,059	-	100.0
<i>Total Deferred Outflows</i>	<u>43,589</u>	<u>-</u>	<u>13,470</u>	<u>-</u>	<u>57,059</u>	<u>-</u>	100.0
<i>Liabilities:</i>							
Current Liabilities	307,592	256,243	526,097	387,334	833,689	643,577	29.5
Long-Term Liabilities	1,499,549	1,516,647	835,659	658,866	2,335,208	2,175,513	7.3
<i>Total Liabilities</i>	<u>1,807,141</u>	<u>1,772,890</u>	<u>1,361,756</u>	<u>1,046,200</u>	<u>3,168,897</u>	<u>2,819,090</u>	12.4
<i>Net Position:</i>							
Net Investment in							
Capital Assets	386,922	392,542	5,906,777	5,949,910	6,293,699	6,342,452	(0.8)
Restricted	88,259	83,065	306,328	264,926	394,587	347,991	13.4
Unrestricted	1,342,857	1,034,689	3,055,541	2,352,462	4,398,398	3,387,151	29.9
<i>Total Net Position</i>	<u>\$ 1,818,038</u>	<u>\$ 1,510,296</u>	<u>\$ 9,268,646</u>	<u>\$ 8,567,298</u>	<u>\$11,086,684</u>	<u>\$10,077,594</u>	10.0

\*Restated to reflect prior period adjustment in Note M.

An additional portion of the City's net position \$394,587 (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$4,398,398 may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Position: The City's net position increased \$1,009,090. (See Table A-2.)

**Table A-2**  
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2013	2012	2013	2012*	2013	2012	2013 - 2012
<i>Program Revenues:</i>							
Charges for Services	\$ 553,519	\$ 557,986	\$ 6,346,440	\$ 6,443,911	\$ 6,899,959	\$ 7,001,897	(1.5)
Operating Grants and Contributions	6,524	39,851	-	-	6,524	39,851	(83.6)
Capital Grants and Contributions	16,430	6,600	-	-	16,430	6,600	148.9
<i>General Revenues:</i>							
Taxes	1,471,711	1,477,532	-	-	1,471,711	1,477,532	(0.4)
Interest Earnings	7,468	15,261	8,037	22,689	15,505	37,950	(59.1)
Miscellaneous	58,471	27,724	-	13,072	58,471	40,796	43.3
<b>TOTAL REVENUES</b>	<b>2,114,123</b>	<b>2,124,954</b>	<b>6,354,477</b>	<b>6,479,672</b>	<b>8,468,600</b>	<b>8,604,626</b>	<b>(1.6)</b>
<i>Program Expenditures:</i>							
General Administration	737,814	718,536	-	-	737,814	718,536	2.7
Public Safety	971,215	976,040	-	-	971,215	976,040	(0.5)
Public Transportation	285,159	291,701	-	-	285,159	291,701	(2.2)
Culture and Recreation	537,938	510,072	-	-	537,938	510,072	5.3
Interest in Debt	107,969	83,988	-	-	107,969	83,988	28.6
Utility	-	-	4,141,873	4,249,750	4,141,873	4,249,750	(2.5)
Airport	-	-	677,542	729,736	677,542	729,736	(7.2)
<b>TOTAL EXPENSES</b>	<b>2,640,095</b>	<b>2,580,337</b>	<b>4,819,415</b>	<b>4,979,486</b>	<b>6,921,572</b>	<b>7,049,751</b>	<b>(1.8)</b>
Increase (Decrease) in Net Position before Transfers	(525,972)	(455,383)	1,535,062	1,500,186	1,009,090	1,044,803	(3.4)
Transfers	833,714	783,620	(833,714)	(783,620)	-	-	0.0
Increase (Decrease) in Net Position after Transfers	<b>\$ 307,742</b>	<b>\$ 328,237</b>	<b>\$ 701,348</b>	<b>\$ 716,566</b>	<b>\$ 1,009,090</b>	<b>\$ 1,044,803</b>	<b>(3.4)</b>

\*Restated to reflect prior period adjustment in Note M.

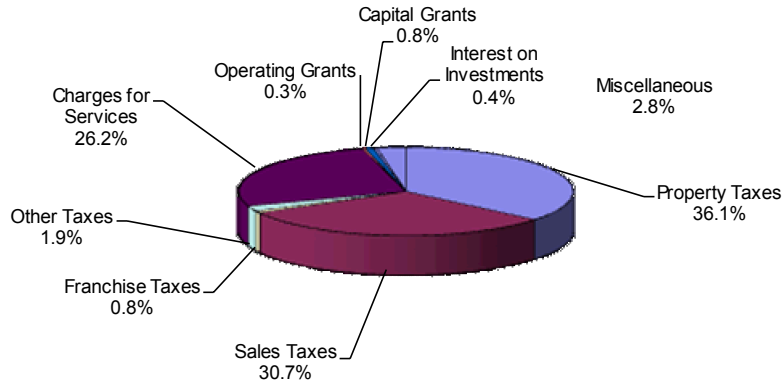
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2013.

### Governmental Activities

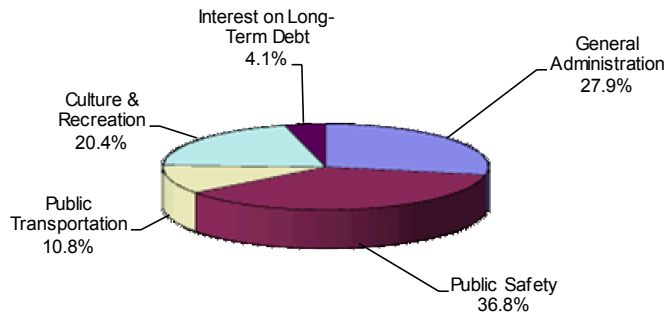
- Property taxes decreased \$15,306 over the previous year.
- Sales taxes increased \$21,600 over the previous year.

Governmental activities showed a decrease of \$525,972 before transfers from business-type activities. However, business-type activities transferred \$833,714 to governmental activities resulting in an increase in net position of \$307,742.

### 2013 Governmental Revenues



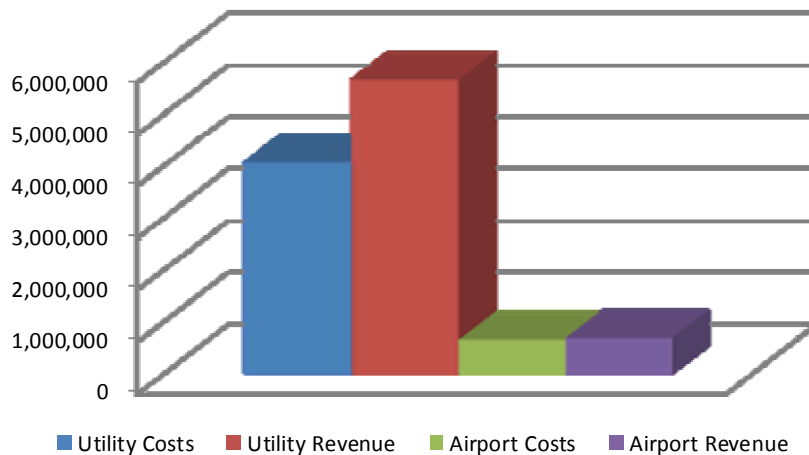
### 2013 Governmental Function Expenses



### Business-Type Activities

Business-type activities increased the City's net position by \$701,348 after transfers to governmental activities of \$833,714. This increase is largely attributed to the increase of utility rates and the drought year.

### Business-Type Activities



## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### ***Governmental funds***

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,407,113. Of this total amount, \$1,549 is nonspendable as it has already been spent on prepaid items, \$92,968 is restricted by constraints imposed by external providers such as grantors and enabling legislation, \$229,840 is committed and reported in special revenue and capital improvement funds, and \$1,082,756 is unassigned in the governmental funds. The unassigned fund balance is the amount available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$1,084,102. The City's general fund balance showed an increase of \$199,688 during the year. This is attributed to increases in sales taxes and miscellaneous revenues.

### ***Proprietary funds***

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position of the Utility Fund at the end of the year amounted to \$2,871,241. The increase in net position was \$764,901. This increase is attributable to an increase in utility rates and the delay of expenses. Unrestricted net position of the Airport Fund at the end of the year amounted to \$184,244. The increase in net position was \$6,371. Unrestricted net position of the Utility Capital Projects Fund at the end of the year amounted to \$76. The decrease in net position was \$69,924. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

There were no differences between the original budget and the final budget. The general fund expenditures were under budget by \$317,907 as a result of cost containment.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of September 30, 2013, the City had invested \$8,626,884 in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles, and infrastructure (See Table A-3.). This amount represents a net decrease (including additions and deductions) of \$81,959 or 1% over last year. More detailed information about the City's capital assets is presented in the notes to the financial statements.

**Table A-3**  
City's Capital Assets  
(in thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2012	2013	2012*	2013	2012*	2013 - 2012
Land	\$ 105	\$ 105	\$ 279	\$ 279	\$ 384	\$ 384	0.0
Construction in Progress	-	-	205	17	205	17	1105.9
Water Rights	-	-	112	112			
Buildings and Improvements	526	526	2,708	2,708	3,234	3,234	0.0
Vehicles and Equipment	715	677	1,065	938	1,780	1,615	10.2
Infrastructure	1,814	1,814	8,732	8,732	10,546	10,546	0.0
Totals at Historical Cost	3,160	3,122	13,101	12,786	16,261	15,908	2.2
Total Accumulated Depreciation	(1,206)	(1,122)	(6,428)	(6,077)	(7,634)	(7,199)	6.0
Net Capital Assets	<u>\$ 1,954</u>	<u>\$ 2,000</u>	<u>\$ 6,673</u>	<u>\$ 6,709</u>	<u>\$ 8,627</u>	<u>\$ 8,709</u>	(0.9)

\*Restated to reflect prior period adjustment in Note M.

### Long Term Debt

At year-end the City had \$2,429,958 in bonds and notes outstanding as shown in Table A-4. More detailed information about the City's debt is presented in the notes to the financial statements.

**Table A-4**  
City's Long-Term Debt  
(in thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2013 - 2012
Certificates of Obligation	\$ -	\$ 1,574	\$ -	\$ 291	\$ -	\$ 1,865	(100.0)
Bonds Payable	1,540	-	475	230	2,015	230	776.1
Tax Notes	-	34	-	-	-	34	(100.0)
Notes Payable	-	-	389	164	389	164	137.2
Capital Lease	-	-	25	73	25	73	(65.8)
Total Long-Term Debt	<u>\$ 1,540</u>	<u>\$ 1,608</u>	<u>\$ 889</u>	<u>\$ 758</u>	<u>\$ 2,429</u>	<u>\$ 2,366</u>	2.7

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- New development and new home construction is projected to increase, at a slightly faster pace than the previous fiscal year.
- Utility rate increases were included in the FY14 budget for electric, water, wastewater, and for the gas utility.
- The City's S&P rating will be upgraded to AA Stable.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Services Department, 1209 Fiorella, Castroville, Texas, 78009. Telephone No. (830) 931-4070.



CITY OF CASTROVILLE  
ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2013

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
  - Governmental Funds
  - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.



CITY OF CASTROVILLE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 1,437,523	\$ 2,686,352	\$ 4,123,875
Receivables (net of allowances for uncollectibles)			
Ad Valorem Taxes	10,195	-	10,195
Other	120,686	989,347	1,110,033
Prepaid Items	1,549	2,274	3,823
Inventory	-	89,967	89,967
Internal Balances	57,175	(57,175)	-
Restricted Assets:			
Cash and Investments	-	233,745	233,745
Capital Assets:			
Land	105,330	278,522	383,852
Construction in Progress	-	205,242	205,242
Water Rights	-	112,386	112,386
Building and Improvements	526,181	2,707,515	3,233,696
Vehicles and Equipment	715,010	1,064,924	1,779,934
Infrastructure	1,814,385	8,731,941	10,546,326
Accumulated Depreciation	(1,206,444)	(6,428,108)	(7,634,552)
<b>TOTAL ASSETS</b>	<u>3,581,590</u>	<u>10,616,932</u>	<u>14,198,522</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Charge on Refunding	43,589	13,470	57,059
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>43,589</u>	<u>13,470</u>	<u>57,059</u>
<b>LIABILITIES</b>			
<i>Current Liabilities:</i>			
Accounts Payable	86,155	291,730	377,885
Accrued Expenses	72,931	-	72,931
Accrued Interest Payable	6,245	3,609	9,854
<i>Payable from Restricted Assets:</i>			
Customer Deposits	-	141,840	141,840
<i>Noncurrent Liabilities:</i>			
Due within One Year	142,261	88,918	231,179
Due in more than One Year	1,499,549	835,659	2,335,208
<b>TOTAL LIABILITIES</b>	<u>1,807,141</u>	<u>1,361,756</u>	<u>3,168,897</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	386,922	5,906,777	6,293,699
Restricted	88,259	306,328	394,587
Unrestricted	1,342,857	3,055,541	4,398,398
<b>TOTAL NET POSITION</b>	<u>\$ 1,818,038</u>	<u>\$ 9,268,646</u>	<u>\$ 11,086,684</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<i>Governmental Activities:</i>				
General Administration	\$ 737,814	\$ 33,549	\$ -	\$ 16,430
Public Safety	971,215	232,864	-	-
Public Transportation	285,159	107,947	-	-
Culture and Recreation	537,938	179,159	6,524	-
Interest on Long-term Debt	107,969	-	-	-
<i>Total Governmental Activities</i>	<u>2,640,095</u>	<u>553,519</u>	<u>6,524</u>	<u>16,430</u>
<i>Business-Type Activities</i>				
Utility	4,141,873	5,663,549	-	-
Airport	677,542	682,891	-	-
<i>Total Business-Type Activities</i>	<u>4,819,415</u>	<u>6,346,440</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 7,459,510</u>	<u>\$ 6,899,959</u>	<u>\$ 6,524</u>	<u>\$ 16,430</u>
<b>General Revenues:</b>				
Taxes				
Ad Valorem Taxes				
Sales Taxes				
Franchise Taxes				
Other Taxes				
Interest and Investment Earnings				
Miscellaneous				
<b>Total General Revenues</b>				
Transfers				
Change in Net Position				
<b>Net Position at Beginning of Year</b>				
<b>Prior Period Adjustment</b>				
<b>Net Position at End of Year</b>				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (687,835)	\$ -	\$ (687,835)
(738,351)	-	(738,351)
(177,212)	-	(177,212)
(352,255)	-	(352,255)
(107,969)	-	(107,969)
<u>(2,063,622)</u>	<u>-</u>	<u>(2,063,622)</u>
-	1,521,676	1,521,676
-	5,349	5,349
<u>-</u>	<u>1,527,025</u>	<u>1,527,025</u>
<u>(2,063,622)</u>	<u>1,527,025</u>	<u>(536,597)</u>
762,508	-	762,508
651,512	-	651,512
17,303	-	17,303
40,388	-	40,388
7,468	8,037	15,505
58,471	-	58,471
<u>1,537,650</u>	<u>8,037</u>	<u>1,545,687</u>
<u>833,714</u>	<u>(833,714)</u>	<u>-</u>
307,742	701,348	1,009,090
1,510,296	8,550,409	10,060,705
-	16,889	16,889
<u>\$ 1,818,038</u>	<u>\$ 9,268,646</u>	<u>\$ 11,086,684</u>

CITY OF CASTROVILLE  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013

	<u>Major Fund General Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Investments	\$ 1,183,424	\$ 254,099	\$ 1,437,523
Receivables (net of allowance):			
Property Taxes	8,659	1,536	10,195
Other Receivables	113,205	7,481	120,686
Due from Other Funds	58,278	82,194	140,472
Prepaid Items	<u>1,549</u>	<u>-</u>	<u>1,549</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,365,115</u></u>	<u><u>\$ 345,310</u></u>	<u><u>\$ 1,710,425</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<i>Liabilities:</i>			
Accounts Payable	\$ 83,455	\$ 2,700	\$ 86,155
Accrued Expenditures	72,931	-	72,931
Due to Other Funds	63,685	19,612	83,297
Unearned Revenues	<u>59,393</u>	<u>1,536</u>	<u>60,929</u>
<b>TOTAL LIABILITIES</b>	<u>279,464</u>	<u>23,848</u>	<u>303,312</u>
<i>Fund Balances:</i>			
Nonspendable	1,549	-	1,549
Restricted	-	92,968	92,968
Committed	-	229,840	229,840
Unassigned	<u>1,084,102</u>	<u>(1,346)</u>	<u>1,082,756</u>
<i>Total Fund Balances</i>	<u>1,085,651</u>	<u>321,462</u>	<u>1,407,113</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<u><u>\$ 1,365,115</u></u>	<u><u>\$ 345,310</u></u>	<u><u>\$ 1,710,425</u></u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$	1,407,113
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			1,954,462
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			60,929
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.			
Accrued Vacation Leave Payable	(30,681)		
Deferred Charge on Refunding	43,589		
Bonds Payable	<u>(1,611,129)</u>		(1,598,221)
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds.			<u>(6,245)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		\$	<u><u>1,818,038</u></u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Major Fund General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Ad Valorem Taxes	\$ 661,846	\$ 100,662	\$ 762,508
Sales Taxes	649,318	-	649,318
Franchise Fees	17,303	-	17,303
Other Taxes	2,486	37,902	40,388
Licenses and Permits	26,948	-	26,948
Charges for Services	185,761	117,839	303,600
Fines and Forfeitures	222,971	-	222,971
Intergovernmental Revenue	16,430	6,524	22,954
Interest Income	3,277	4,192	7,469
Miscellaneous	39,402	19,069	58,471
<b>TOTAL REVENUES</b>	<b>1,825,742</b>	<b>286,188</b>	<b>2,111,930</b>
<b>EXPENDITURES</b>			
<i>Current:</i>			
General Administration	665,914	31,980	697,894
Public Safety			
Animal Control	61,810	-	61,810
Code Enforcement	125,686	-	125,686
Municipal Court	87,149	20,317	107,466
Police Department	667,571	8,784	676,355
Public Transportation			
Streets	246,676	55	246,731
Culture and Recreation			
Library	195,803	6,596	202,399
Parks	232,142	-	232,142
Pool	91,608	-	91,608
<i>Capital Outlay</i>	30,077	-	30,077
<i>Debt Service:</i>			
Principal	-	69,555	69,555
Interest and Fiscal Charges	-	47,710	47,710
Bond Issue Costs	-	65,867	65,867
<b>TOTAL EXPENDITURES</b>	<b>2,404,436</b>	<b>250,864</b>	<b>2,655,300</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(578,694)	35,324	(543,370)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	823,875	91,072	914,947
Transfers Out	(45,493)	(35,740)	(81,233)
Proceeds from Refunding Bonds	-	1,543,940	1,543,940
Premiums on Bonded Debt	-	76,450	76,450
Payment to Refunding Bond Escrow Agent	-	(1,590,882)	(1,590,882)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>778,382</b>	<b>84,840</b>	<b>863,222</b>
Net Change in Fund Balance	199,688	120,164	319,852
Fund Balances at Beginning of Year	885,963	201,298	1,087,261
Fund Balances at End of Year	<u>\$ 1,085,651</u>	<u>\$ 321,462</u>	<u>\$ 1,407,113</u>

See accompanying notes to basic financial statements.



CITY OF CASTROVILLE  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$	319,852
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays.			(46,575)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			2,194
The issuance of long-term debt (e.g. bonds, leases,) provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Proceeds of Refunding Bonds (including premiums)	(1,620,390)		
Principal Repayments on Bonds	69,555		
Payment to Refunding Bond Agent	1,590,882		
Amortization of Deferred Charges & Premiums	<u>(29,543)</u>		10,504
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Change in Compensated Absences	17,071		
Change in Accrued Interest	<u>4,696</u>		<u>21,767</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		\$	<u><u>307,742</u></u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE  
STATEMENT OF NET POSITION – PROPRIETARY FUND  
SEPTEMBER 30, 2013

	ENTERPRISE FUNDS			
	Major Fund	Major Fund	Major Fund	
	Utility	Airport	Utility Capital	
	Fund	Fund	Projects Fund	Totals
<b>ASSETS</b>				
<i>Current Assets:</i>				
Cash and Investments	\$ 2,417,107	\$ 213,184	\$ 56,061	\$ 2,686,352
Receivables (net of allowance)	935,972	53,375	-	989,347
Due from Other Funds	53,255	-	-	53,255
Advance to Other Funds	10,140	-	-	10,140
Prepaid Items	2,274	-	-	2,274
Inventory	68,541	21,426	-	89,967
<i>Total Current Assets</i>	<u>3,487,289</u>	<u>287,985</u>	<u>56,061</u>	<u>3,831,335</u>
<i>Restricted Assets:</i>				
Cash and Cash Equivalents	157,108	-	76,637	233,745
<i>Non-Current Assets:</i>				
Capital Assets, Net of Accumulated Depreciation	2,739,057	3,891,550	41,815	6,672,422
<i>Total Non-Current Assets</i>	<u>2,739,057</u>	<u>3,891,550</u>	<u>41,815</u>	<u>6,672,422</u>
<b>TOTAL ASSETS</b>	<u>6,383,454</u>	<u>4,179,535</u>	<u>174,513</u>	<u>10,737,502</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred Charge on Refunding	6,938	6,532	-	13,470
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>6,938</u>	<u>6,532</u>	<u>-</u>	<u>13,470</u>
<b>LIABILITIES</b>				
<i>Current Liabilities:</i>				
Accounts Payable	286,113	5,617	-	291,730
Accrued Interest Payable	1,027	2,582	-	3,609
Due to Other Funds	25,792	84,638	-	110,430
Advance from Other Funds	-	10,140	-	10,140
Current Portion of Capital Lease	25,046	-	-	25,046
Current Portion of Long Term Debt	23,369	40,503	-	63,872
<i>Total Current Liabilities</i>	<u>361,347</u>	<u>143,480</u>	<u>-</u>	<u>504,827</u>
<i>Liabilities Payable from Restricted Assets:</i>				
Customer Deposits	141,840	-	-	141,840
<i>Non-Current Liabilities:</i>				
Compensated Absences	12,056	764	-	12,820
Long-Term Debt	263,366	315,036	244,437	822,839
<i>Total Non-Current Liabilities</i>	<u>275,422</u>	<u>315,800</u>	<u>244,437</u>	<u>835,659</u>
<b>TOTAL LIABILITIES</b>	<u>778,609</u>	<u>459,280</u>	<u>244,437</u>	<u>1,482,326</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	2,434,214	3,542,563	(70,000)	5,906,777
Restricted	306,328	-	-	306,328
Unrestricted	2,871,241	184,224	76	3,055,541
<b>TOTAL NET POSITION</b>	<u>\$ 5,611,783</u>	<u>\$ 3,726,787</u>	<u>\$ (69,924)</u>	<u>\$ 9,268,646</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	ENTERPRISE FUNDS			Totals
	Major Fund Utility Fund	Major Fund Airport Fund	Major Fund Utility Capital Projects Fund	
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 5,560,563	\$ 638,540	\$ -	\$ 6,199,103
Fines and Forfeitures	74,179	223	-	74,402
Operating Grants	-	44,128	-	44,128
Miscellaneous Revenues	28,807	-	-	28,807
<b>TOTAL OPERATING REVENUES</b>	<b>5,663,549</b>	<b>682,891</b>	<b>-</b>	<b>6,346,440</b>
<b>OPERATING EXPENSES</b>				
Personnel Services	614,992	52,516	-	667,508
Supplies	11,887	1,346	-	13,233
Other Services and Charges	805,152	466,380	26	1,271,558
Electric Purchases	1,830,565	-	-	1,830,565
Gas Purchases	194,384	-	-	194,384
Sanitation Services	375,475	-	-	375,475
Depreciation and Amortization	226,074	124,664	-	350,738
<b>TOTAL OPERATING EXPENSES</b>	<b>4,058,529</b>	<b>644,906</b>	<b>26</b>	<b>4,703,461</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,605,020</b>	<b>37,985</b>	<b>(26)</b>	<b>1,642,979</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	6,913	1,022	102	8,037
Interest and Fiscal Charges	(13,318)	(32,636)	(70,000)	(115,954)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(6,405)</b>	<b>(31,614)</b>	<b>(69,898)</b>	<b>(107,917)</b>
<b>Net Income (Loss) Before Transfers</b>	<b>1,598,615</b>	<b>6,371</b>	<b>(69,924)</b>	<b>1,535,062</b>
Transfers Out	(833,714)	-	-	(833,714)
<b>CHANGE IN NET POSITION</b>	<b>764,901</b>	<b>6,371</b>	<b>(69,924)</b>	<b>701,348</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>4,846,882</b>	<b>3,703,527</b>	<b>-</b>	<b>8,550,409</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>16,889</b>	<b>-</b>	<b>16,889</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 5,611,783</b>	<b>\$ 3,726,787</b>	<b>\$ (69,924)</b>	<b>\$ 9,268,646</b>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	ENTERPRISE FUNDS			Totals
	Major Fund Utility Fund	Major Fund Airport Fund	Major Fund Utility Capital Projects Fund	
<b>Cash Flows From Operating Activities:</b>				
Cash Received From Customers	\$ 5,636,729	\$ 679,634	\$ -	\$ 6,316,363
Cash Paid to Employee Wages & Benefits	(614,992)	(52,516)	-	(667,508)
Cash Paid to Suppliers for Goods and Services	(3,028,513)	(489,124)	(26)	(3,517,663)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>1,993,224</u>	<u>137,994</u>	<u>(26)</u>	<u>2,131,192</u>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Interfund Payables	(5,290)	(9,299)	-	(14,589)
Transfer (to) from Other Funds	(833,714)	-	-	(833,714)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>(839,004)</u>	<u>(9,299)</u>	<u>-</u>	<u>(848,303)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition and Construction of Capital Assets	(169,984)	(103,555)	(41,815)	(315,354)
Proceeds from Refunding Bonds	288,229	211,457	-	499,686
Payments to Refunding Escrow Agent	(283,532)	(207,035)	-	(490,567)
Proceeds from Issuance of Long-Term Debt	-	-	244,437	244,437
Principal Payments on Long-Term Debt	(63,508)	(49,008)	-	(112,516)
Interest and Fiscal Charges (Paid) Received	2,976	(10,402)	-	(7,426)
Bond Issue Costs	(10,485)	(9,871)	(70,000)	(90,356)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(236,304)</u>	<u>(168,414)</u>	<u>132,622</u>	<u>(272,096)</u>
<b>Cash Flows From Investing Activities:</b>				
Investment Interest Received	6,913	1,022	102	8,037
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>6,913</u>	<u>1,022</u>	<u>102</u>	<u>8,037</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	924,829	(38,697)	132,698	1,018,830
<b>Cash and Investments at Beginning of Year:</b>				
Cash and Investments	1,501,079	251,881	-	1,752,960
Restricted Cash and Investments	148,307	-	-	148,307
	<u>1,649,386</u>	<u>251,881</u>	<u>-</u>	<u>1,901,267</u>
<b>Cash and Investments at End of Year:</b>				
Cash and Investments	2,417,107	213,184	56,061	2,686,352
Restricted Cash and Investments	157,108	-	76,637	233,745
	<u>\$ 2,574,215</u>	<u>\$ 213,184</u>	<u>\$ 132,698</u>	<u>\$ 2,920,097</u>

See accompanying notes to basic financial statements.

CITY OF CASTROVILLE  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	ENTERPRISE FUNDS			Totals
	Major Fund Utility Fund	Major Fund Airport Fund	Major Fund Utility Capital Projects Fund	
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 1,605,020	\$ 37,985	\$ (26)	\$ 1,642,979
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	226,074	124,664	-	350,738
(Increase) Decrease in Operating Assets:				
Accounts Receivable	(33,032)	(1,480)	-	(34,512)
Prepaid Items	30,531	-	-	30,531
Inventory	(37,924)	16,847	-	(21,077)
Increase (Decrease) in Current Liabilities:				
Accounts Payable	196,343	(38,245)	-	158,098
Deferred Revenue	-	(1,777)	-	(1,777)
Customer Deposits	6,212	-	-	6,212
<b>Total Adjustments to Reconcile Operating Activities</b>	<b>388,204</b>	<b>100,009</b>	<b>-</b>	<b>488,213</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,993,224</b>	<b>\$ 137,994</b>	<b>\$ (26)</b>	<b>\$ 2,131,192</b>

See accompanying notes to basic financial statements.



CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Castroville, Texas ("City"), was incorporated in 1948. The City operates under a general law, Manager-Council type of government, and provides the following services: public safety (law enforcement), public transportation (streets), health, culture, recreation, water, sewer, electricity, natural gas, sanitation, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Proprietary type funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**1. REPORTING ENTITY**

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has no component units.

**2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities reflects the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types which have been accrued consist of revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and other miscellaneous revenues.

**Governmental fund level financial statements** are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if collected within 30 days of the end of the current fiscal period.

Property taxes, franchise taxes, sales tax, occupancy tax, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The City reports the following major governmental funds:

**The General Fund** is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property and sales taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public transportation, culture and recreation, capital acquisition, and debt service.

**Proprietary fund level financial statements** are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows.



CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Proprietary Funds are accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The City reports the following major proprietary funds:

**The Utility Fund** accounts for the activities of the City's water, sewer, gas and electric operations.

**The Airport Fund** accounts for the activities of the City's airport operations.

**Utility Capital Projects Fund** accounts for improvement projects to the City's water and sewer system.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase agreements involving those same obligations. The City has all its monies in interest bearing checking accounts, savings accounts, government investment pools, and certificates of deposit. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair market value except for certificates of deposit which are carried at amortized cost.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**6. ACCOUNTS RECEIVABLE**

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2012 and past due after January 31, 2013. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Revenues for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are billable services for certain contracts and billable services for the City's water utilities, sewer services, and solid waste management. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible property taxes and utility customer accounts as of September 30, 2013 are \$12,725 and \$19,905, respectively.

**7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds represented long term interfund receivables/payables that had an agreement for the repayment of funds.

**8. INVENTORY**

Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenses in the proprietary fund types when used.

**9. RESTRICTED ASSETS**

Certain resources are set aside for customer meter deposits. Deposits are classified as restricted assets on the balance sheet because they may be refunded at a point in time if the customer is in good standing with the water/sewer department.

Part of the agreement for bond proceeds from the Texas Water Development Board required reserve funds to be kept in a restricted bank account to serve as collateral.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**10. CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include City-owned streets, sewer, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Life</u>
Buildings and Improvements	7 to 50 years
Machinery and Equipment	5 to 35 years
Infrastructure	5 to 50 years

**11. UNEARNED REVENUE**

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue and municipal court payments not expected to be available for the current period are reflected as unearned revenue. Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unearned revenue.

**12. COMPENSATED ABSENCES**

Employees earn vacation leave at varying rates depending on length of service: 10 days leave for each year from year 1 through 5 (not available for use until first six months of service is completed), an additional 7 days for each year from year 6 through 9, and an additional 3 days for each year from year 10 through 14, and an additional 5 days per year for each year of service thereafter up to a maximum of 20 days per year. Annual leave exceeding 40 days will not be carried over, except with City Administrator approval.

Employees earn sick leave at the rate of 3.69 hours per pay period starting ninety days after the date of employment. No sick leave days are paid when an employee leaves city employment and no liability is reported for unpaid sick leave. Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**13. LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are amortized over the life of the bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**14. FUND EQUITY**

Fund balances in governmental funds are classified as follows:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted – Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed – Represents amounts that can only be used for the specific purposes determined by a formal action of the government's highest level of decision making authority. The governing council is the highest level of decision making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned – Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council is the only entity that may make assignments at this time as the Council has not designated any other individuals with the authority to make assignments.

Unassigned – Represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second, and assigned third.

As of September 30, 2013, the BTOP Library Grant fund had a deficit restricted fund balance which reduced the amount of funds available in the Unassigned Fund balance by \$1,346 for the total governmental funds.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

15. NET POSITION

Net position represent the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

16. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

17. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for water and sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

18. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

19. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For the year ended September 30, 2013, the City implemented the following statements of financial accounting standards issued by the Governmental Accounting Standards Board:

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities

GASB Statements No. 63 and 65 established standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a financial statement position and related disclosures as well as reclassify certain items that were previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows or inflows of resources.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As a result of recognizing certain items as outflows of resources or inflows of resources that were previously recognized as assets and liabilities, the City has recognized all remaining unamortized bond issue costs in the current year. As this did not materially misstate the financial statements, there has not been any restatement of previously reported amounts. Deferred charges on refunding are now shown separate from liabilities as a deferred outflow of resources.

**NOTE B -- DEPOSITS AND INVESTMENTS**

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Deposits

At September 30, 2013, the carrying amount of the City's cash on hand was \$1,120 and the carrying amount of deposits in bank was \$4,356,500 and the bank balance was \$4,518,578. Of the bank balance, \$250,000 was covered by federal deposit insurance at Castroville State Bank and the City's depository had pledged securities having a face value of \$4,925,000 and market value of \$5,094,424 as collateral for the City's deposits. All of the City's cash was fully collateralized.

2. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. The Act requires that the Council review the investment policy at least annually, investment officers obtain minimum investment training, and investment officers sign quarterly investment reports submitted to Council. Audit procedures in this area, conducted as part of the basic financial statements, disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act in all material respects. Additionally, investment practices of the City were in accordance with local policies.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE B -- DEPOSITS AND INVESTMENTS (Continued)**

2. Investments (Continued)

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The City's investment policy further prioritizes investments as: (1) safety, (2) liquidity, (3) public trust, and (4) yield. The City's investments at September 30, 2013 were \$646,825 invested in certificates of deposit.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. As of September 30, 2013, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City had no exposure to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE B -- DEPOSITS AND INVESTMENTS (Continued)**

3. Analysis of Specific Deposit and Investment Risks (Continued)

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

4. Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

**NOTE C -- PROPERTY TAX CALENDAR**

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Medina County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2012, upon which the fiscal 2013 levy was based, was \$144,796,494 (i.e., market value less exemptions). The estimated market value was \$183,653,988, making the taxable value 78.8% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2013, was \$0.4545 per \$100 of assessed value, which means that the City has a tax margin of \$2.0455 for each \$100 value and could increase its annual tax levy by approximately \$2,961,812 based upon the present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.



CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE D -- OTHER RECEIVABLES**

Other receivables for the City as of September 30, 2013 are as follows:

	General Fund	Nonmajor Governmental Funds	Utility Fund	Airport Fund	Total
Sales Tax	\$ 100,248	\$ -	\$ -	\$ -	\$ 100,248
Franchise Fees	6,094	-	-	-	6,094
Occupancy Tax	-	7,481	-	-	7,481
Grant Reimbursement	-	-	-	44,128	44,128
Customer Receivables, Net of Allowance for Uncollectibles	-	-	935,972	9,247	945,219
Miscellaneous	6,863	-	-	-	6,863
Total Other Receivables	<u>\$ 113,205</u>	<u>\$ 7,481</u>	<u>\$ 935,972</u>	<u>\$ 53,375</u>	<u>\$ 1,110,033</u>

**NOTE E -- INTERFUND RECEIVABLE/PAYABLE AND TRANSFERS**

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, and service debt. As of September 30, 2013, the following balances were due between funds:

Receivable Fund	Payable Fund	Amount	Reason
General Fund	Nonmajor Governmental Fund	\$ 18,526	Reimbursement for Grant Costs
General Fund	Nonmajor Governmental Fund	991	Reimbursement for Costs
General Fund	Utility Fund	21,340	Reimbursement for Costs
General Fund	Airport Fund	17,421	Reimbursement for Costs
Utility Fund	Airport Fund	53,160	Reimbursement for Costs
Utility Fund	Nonmajor Governmental Fund	95	Reimbursement for Costs
Nonmajor Governmental Fund	General Fund	18,192	Reimbursement for Costs
Nonmajor Governmental Fund	General Fund	45,493	Supplement Funding
Nonmajor Governmental Fund	Utility Fund	4,452	Reimbursement for Costs
Nonmajor Governmental Fund	Airport Fund	14,057	Reimbursement for Costs
		<u>\$ 193,727</u>	

Transfers during the year ended September 30, 2013, were as follows:

Transfer In	Transfers Out	Amount	Purpose
General Fund	Nonmajor Governmental Fund	\$ 1,074	Supplement Funding
General Fund	Utility Fund	822,801	Supplement Funding
Nonmajor Governmental Fund	General Fund	45,493	Supplement Funding
Nonmajor Governmental Fund	Nonmajor Governmental Fund	34,666	Supplement Funding
Nonmajor Governmental Fund	Utility Fund	10,913	Supplement Funding
		<u>\$ 914,947</u>	

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE F -- CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2013, was as follows:

<i>Governmental Activities</i>	Balance 10/1/2012	Additions/ Transfer In	Disposals/ Transfer Out	Balance 9/30/2013
Land	\$ 105,330	\$ -	\$ -	\$ 105,330
Buildings and Improvements	526,181	-	-	526,181
Vehicles and Equipment	676,973	38,037	-	715,010
Infrastructure	1,814,385	-	-	1,814,385
	<u>3,122,869</u>	<u>38,037</u>	<u>-</u>	<u>3,160,906</u>
Less Accumulated Depreciation				
Buildings and Improvements	(179,920)	(15,520)	-	(195,440)
Vehicles and Equipment	(583,907)	(34,997)	-	(618,904)
Infrastructure	(358,005)	(34,095)	-	(392,100)
	<u>(1,121,832)</u>	<u>(84,612)</u>	<u>-</u>	<u>(1,206,444)</u>
Governmental Capital Assets, Net	<u>\$ 2,001,037</u>	<u>\$ (46,575)</u>	<u>\$ -</u>	<u>\$ 1,954,462</u>
<i>Business-Type Activities</i>	Balance 10/1/2012*	Additions/ Transfer In	Disposals/ Transfer Out	Balance 9/30/2013
Land	\$ 278,522	\$ -	\$ -	\$ 278,522
Construction in Progress	16,889	188,353	-	205,242
Water Rights	112,386	-	-	112,386
Buildings and Improvements	2,707,515	-	-	2,707,515
Vehicles and Equipment	937,923	127,001	-	1,064,924
Infrastructure	8,731,941	-	-	8,731,941
	<u>12,785,176</u>	<u>315,354</u>	<u>-</u>	<u>13,100,530</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,273,970)	(58,163)	-	(1,332,133)
Vehicles and Equipment	(675,515)	(38,208)	-	(713,723)
Infrastructure	(4,127,885)	(254,367)	-	(4,382,252)
	<u>(6,077,370)</u>	<u>(350,738)</u>	<u>-</u>	<u>(6,428,108)</u>
Business-Type Capital Assets, Net	<u>\$ 6,707,806</u>	<u>\$ (35,384)</u>	<u>\$ -</u>	<u>\$ 6,672,422</u>

Land, Construction in Progress, and Water Rights are not depreciated.

\*Restated to reflect prior period adjustment in Note M.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE F -- CAPITAL ASSETS (Continued)**

Depreciation expense was charged to the functions as follows:

Governmental Activities:

General Administration	\$ 6,966
Public Safety	26,875
Public Transportation	40,711
Culture and Recreation	<u>10,060</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 84,612</u></u>

Business-Type Activities:

Utility	\$ 226,074
Airport	<u>124,664</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 350,738</u></u>

**NOTE G -- LONG-TERM DEBT**

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business-type activities. These instruments include general obligation bonds, certificates of obligation, tax notes, and capital leases. These debt obligations are secured by either future property tax revenue or future revenue from charges for services.

A summary of the general obligation debt is as follows:

Issue Amount	Maturity	Interest Rate	Balance
General Obligation Refunding Bonds:			
2012 Series	2026	2.0 - 3.0%	<u>\$ 2,015,000</u>
Total General Obligation Debt			<u><u>\$ 2,015,000</u></u>

The City issued General Obligation Refunding Bonds, Series 2012 on October 30, 2012 in the amount of \$2,020,000 to advance refund 1) General Obligation Refunding Bonds, Series 2004 in the amount of \$200,000; 2) Certificates of Obligation, Series 2003 in the amount of \$960,000; and 3) Certificates of Obligation, Series 2004 in the amount of \$860,000. The net proceeds of \$2,081,415 (including premiums of \$100,023 and after payment of underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. The advance refunding was undertaken to result in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$252,963.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE G -- LONG-TERM DEBT (Continued)**

The City entered into a loan agreement with the Texas Department of Transportation in January 2004 to borrow the sum of \$278,748 for the construction of aviation t-hangers at the airport. The loan is due and payable with 15 annual payments of \$23,350, which include interest at 3%. The final maturity of the loan is May 15, 2020.

In 2012, the City received a federal award of a note through the Texas Water Development Board to fund improvements to the City's water and waste water lines. As of September 30, 2013, the City has drawn \$93,795 and \$150,642, respectively of the total \$350,000 and \$375,000, respectively available. Interest rates vary from .05% - 1.22% and .08% - 1.52%, respectively. Details about these financings are as follows:

**Changes in Long-Term Debt**

	Balance 10/1/2012	Additions	Reductions	Balance 9/30/2013	Due Within One Year
<i>Governmental Activities:</i>					
2003 Certificates of Obligation	\$ 960,000	\$ -	\$ (960,000)	\$ -	\$ -
2004 Certificates of Obligation	614,495	-	(614,495)	-	-
2006 Tax Notes	34,000	-	(34,000)	-	-
2012 Refunding Bonds	-	1,543,940	(3,800)	1,540,140	136,800
2012 Premium on Bonds	-	76,450	(5,461)	70,989	5,461
Compensated Absences	47,752	-	(17,071)	30,681	-
<i>Total Governmental Activities</i>	<u>1,656,247</u>	<u>1,620,390</u>	<u>(1,634,827)</u>	<u>1,641,810</u>	<u>142,261</u>
<i>Business-Type Activities:</i>					
2004 Certificates of Obligation	290,504	-	(290,504)	-	-
2004 Refunding Bonds	230,000	-	(230,000)	-	-
2012 Refunding Bonds	-	476,060	(1,200)	474,860	43,200
2012 Premium on Bonds	-	23,626	(1,687)	21,939	1,687
TXDOT Note	163,908	-	(18,433)	145,475	18,985
TWDB - DWSRF	-	93,795	-	93,795	-
TWDB - CWSRF	-	150,642	-	150,642	-
Capital Lease	73,484	-	(48,438)	25,046	25,046
Compensated Absences	12,820	-	-	12,820	-
<i>Total Business-Type Activities</i>	<u>770,716</u>	<u>744,123</u>	<u>(590,262)</u>	<u>924,577</u>	<u>88,918</u>
 Total Primary Government	 <u>\$ 2,426,963</u>	 <u>\$ 2,364,513</u>	 <u>\$ (2,225,089)</u>	 <u>\$ 2,566,387</u>	 <u>\$ 231,179</u>

The total deferred charge on refunding is \$57,059 as of September 30, 2013 and is shown on the Statement of Net Position as a deferred outflow of resources.

On February 25, 2011, the City entered into a lease-purchase agreement with Kansas State Bank for the purchase of a bucket truck for its utility operations. The term of the lease is 36 months, with monthly payments of \$4,210, which includes interest. The lease and the bucket truck are recorded in the Utility Fund.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE G -- LONG-TERM DEBT** (Continued)

Future minimum lease payments are as follows:

Year Ending September 30,	Lease Payments
2014	\$ 25,258
Less: Interest Amount	(212)
	<u>\$ 25,046</u>

The following is an analysis of the property under capital lease as of September 30, 2013:

Bucket Truck	\$ 142,800
Less: Accumulated Depreciation	(52,700)
Net Leased Property	<u>\$ 90,100</u>

Annual requirements to amortize all bonded debt outstanding as of September 30, 2013 are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 136,800	\$ 37,468	\$ 174,268
2015	136,800	34,732	171,532
2016	140,600	31,996	172,596
2017	140,600	29,184	169,784
2018	144,400	26,372	170,772
2019 - 2023	646,000	83,562	729,562
2024 - 2026	194,940	11,172	206,112
	<u>\$ 1,540,140</u>	<u>\$ 254,486</u>	<u>\$ 1,794,626</u>

Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2014	\$ 62,185	\$ 16,196	\$ 78,381
2015	62,755	14,763	77,518
2016	64,542	13,312	77,854
2017	205,146	11,820	216,966
2018	171,403	10,309	181,712
2019 - 2023	248,681	28,408	277,089
2024 - 2026	50,060	3,528	53,588
	<u>\$ 864,772</u>	<u>\$ 98,336</u>	<u>\$ 963,108</u>

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS**

**A. Plan Description**

The City provides pension benefits for all of its eligible employees through a nontraditional joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling (800) 924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating	100% Repeating
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

**B. Contributions**

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

**B. Contributions (Continued)**

The annual pension cost and net pension obligation (asset) are as follows:

Fiscal Year Ending September 30,	Annual Pension Cost	Actual Contribution Made	Percentage of APC Contribution	Net Pension Obligation (Asset)
2011	\$ 146,799	\$ 146,799	100%	\$ -
2012	134,878	134,878	100%	-
2013	123,857	123,857	100%	-

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

	<b>December 31, 2010</b>	<b>December 31, 2011</b>	<b>December 31, 2012</b>
Actuarial Valuation Date	December 31, 2010	December 31, 2011	December 31, 2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Remaining Amortization Period	27.3 years - Closed Period	26.3 years - Closed Period	25.5 years - Closed Period
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation Rate	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

**Funded Status and Funding Progress**

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	\$ 3,654,126	\$ 4,221,937	86.6%	\$ 567,811	\$ 1,472,587	38.6%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used to include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

**C. Other Post-Employment Benefits**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure the adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended September 30, 2013, 2012, and 2011 were \$3,468, \$4,534, and \$6,006, respectively, which equaled the required contributions each year.



CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE I -- FUND BALANCE**

The City reported fund balance designations at September 30, 2013 as follows:

<u>Fund Balance Designation</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepays	\$ 1,549	\$ -	\$ 1,549
Restricted for:			
Debt Service	-	18,132	18,132
Tourism	-	31,278	31,278
Library	-	5,853	5,853
Police Training and Operations	-	18,186	18,186
Court Security	-	15,963	15,963
Court Technology	-	3,556	3,556
Total Restricted Fund Balance	-	92,968	92,968
Committed for:			
Drainage Projects	-	167,702	167,702
Facilities Maintenance	-	16,645	16,645
Street Rehabilitation	-	45,493	45,493
Total Committed Fund Balance	-	229,840	229,840
Unassigned	1,084,102	(1,346)	1,082,756
Total Fund Balance	<u>\$ 1,085,651</u>	<u>\$ 321,462</u>	<u>\$ 1,407,113</u>

**NOTE J -- RESTRICTED NET POSITION**

The City reported restricted net position at September 30, 2013 as follows:

<u>Net Position Restricted for:</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Restricted Net Position</u>
Debt Service	\$ 13,423	\$ -	\$ 13,423
Tourism	31,278	-	31,278
Library	5,853	-	5,853
Police Training and Operations	18,186	-	18,186
Court Security	15,963	-	15,963
Court Technology	3,556	-	3,556
Water Acquisition	-	125,111	125,111
Capital Improvements	-	181,217	181,217
			-
Total Restricted Net Position	<u>\$ 88,259</u>	<u>\$ 306,328</u>	<u>\$ 394,587</u>

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE K -- COMMITMENTS AND CONTINGENCIES**

Litigation

The City is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

Construction Commitments

The City has entered into construction and engineering contracts for the following projects. Estimated future commitments associated with these contracts as of September 30, 2013 are as follows:

Commitment	Estimated Project Cost to City	Expended to Date	Estimated Future Commitment
Water System Improvement:	\$ 229,100	\$ 43,120	\$ 185,980
Sewer System Expansion	236,400	37,199	199,201
Jet A Fuel System	17,500	14,500	3,000
Effluent Irrigation System	198,021	-	198,021
	<u>\$ 681,021</u>	<u>\$ 94,819</u>	<u>\$ 586,202</u>

The City was committed to the above project related to Effluent Irrigation System as part of a compliance plan in response to a notice of violation by the Enforcement Division of the Texas Commission on Environmental Quality (TCEQ) relating to the City's process of disposing of waste water. As of September 30, 2013, the remedial procedures are in the process of implementation with a deadline of March 1, 2014.

Operating Leases

The City leases equipment under non-cancellable operating leases. Total expenditures for operating leases for the fiscal year ended September 30, 2013 were \$18,373 for governmental activities and \$11,083 for business-type activities. Future minimum lease payments are as follows:

For fiscal year ended	Amount
September 30, 2014	\$ 11,183
September 30, 2015	6,710
September 30, 2016	4,290
September 30, 2017	358
	<u>\$ 22,541</u>

CITY OF CASTROVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013

**NOTE L -- RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts for losses up to \$3,000,000. Annual contributions for the year ended September 30, 2013 were \$69,207 for property and casualty and workers compensation coverage.

**NOTE M -- PRIOR PERIOD ADJUSTMENT**

Management has determined that certain engineering costs incurred and expensed in the prior year are more accurately recorded as capital expenses as part of construction in progress. The following adjustment is reflected to the beginning balances as follows:

	Business-type Activates	Airport Fund
Beginning Net Position	\$ 8,550,409	\$ 3,703,527
Understated Construction in Progress	16,889	16,889
Restated Beginning Net Position	<u>\$ 8,567,298</u>	<u>\$ 3,720,416</u>



## REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Funding Progress – Defined Benefit

CITY OF CASTROVILLE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013  
(WITH COMPARATIVE ACTUAL TOTALS FOR 2012)

	Budget Amounts		Actual	Variance	
	Original	Final	Amounts	Favorable (Unfavorable)	2012
<b>REVENUES</b>					
Ad Valorem Taxes	\$ 673,446	\$ 673,446	\$ 661,846	\$ (11,600)	\$ 661,588
Sales Taxes	585,066	585,066	649,318	64,252	581,372
Franchise Fees	5,915	5,915	17,303	11,388	30,122
Other Taxes	2,900	2,900	2,486	(414)	2,198
Licenses and Permits	47,000	47,000	26,948	(20,052)	30,181
Charges for Services	200,220	200,220	185,761	(14,459)	185,206
Fines and Forfeitures	238,175	238,175	222,971	(15,204)	220,140
Intergovernmental Revenue	-	-	16,430	16,430	14,600
Interest Income	4,000	4,000	3,277	(723)	11,730
Miscellaneous	19,000	19,000	39,402	20,402	22,454
<b>TOTAL REVENUES</b>	<u>1,775,722</u>	<u>1,775,722</u>	<u>1,825,742</u>	<u>50,020</u>	<u>1,759,591</u>
<b>EXPENDITURES</b>					
<i>Current:</i>					
General Administration	802,072	802,072	665,914	136,158	665,668
Public Safety					
Animal Control	61,278	61,278	61,810	(532)	57,430
Code Enforcement	155,604	155,604	125,686	29,918	127,361
Municipal Court	98,590	98,590	87,149	11,441	75,357
Police Department	703,830	703,830	667,571	36,259	663,993
Public Transportation					
Streets	338,791	338,791	246,676	92,115	251,786
Culture and Recreation					
Library	203,067	203,067	195,803	7,264	185,934
Parks	246,829	246,829	232,142	14,687	190,739
Pool	73,782	73,782	91,608	(17,826)	88,178
<i>Capital Outlay</i>	38,500	38,500	30,077	8,423	74,499
<b>TOTAL EXPENDITURES</b>	<u>2,722,343</u>	<u>2,722,343</u>	<u>2,404,436</u>	<u>317,907</u>	<u>2,380,945</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(946,621)</u>	<u>(946,621)</u>	<u>(578,694)</u>	<u>367,927</u>	<u>(621,354)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	822,801	822,801	823,875	1,074	783,620
Transfers Out	(45,493)	(45,493)	(45,493)	-	(11,277)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>777,308</u>	<u>777,308</u>	<u>778,382</u>	<u>1,074</u>	<u>772,343</u>
<b>Net Change in Fund Balance</b>	<u>(169,313)</u>	<u>(169,313)</u>	<u>199,688</u>	<u>369,001</u>	<u>150,989</u>
Fund Balance - Beginning of Year	<u>885,963</u>	<u>885,963</u>	<u>885,963</u>	<u>-</u>	<u>734,974</u>
Fund Balance - End of Year	<u>\$ 716,650</u>	<u>\$ 716,650</u>	<u>\$ 1,085,651</u>	<u>\$ 369,001</u>	<u>\$ 885,963</u>

CITY OF CASTROVILLE  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL - GENERAL FUND  
SEPTEMBER 30, 2013

**Budgetary Information** – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund, Drainage Fund, Hotel Occupancy Fund, Alsatian House Fund, Biry House Fund, BTOP Grant Fund, Library Memorial Fund, Drug Forfeiture Fund, Police Training Fund, Court Security Fund, Court Technology Fund, and Debt Service Funds.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.

CITY OF CASTROVILLE  
REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF FUNDING PROGRESS – DEFINED BENEFIT  
LAST FOUR CALENDAR YEARS

CALENDAR YEAR	ACTUARIAL VALUE OF ASSETS **	ACTUARIAL ACCRUED LIABILITY*	FUNDING RATIO (1)/(2)	UNFUNDED ACTUARIAL ACCRUED LIABILITY	ANNUAL COVERED PAYROLL	UNFUNDED ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
2009	\$ 2,245,502	\$ 3,111,006	72.2%	\$ 865,504	\$ 1,373,097	63.0%
2010	3,109,664	3,913,438	79.5%	803,774	1,405,299	57.2%
2011	3,378,662	4,049,987	83.4%	671,325	1,503,344	44.7%
2012	3,654,126	4,221,937	86.6%	567,811	1,472,587	38.6%

\* As of December 31 of the preceding year, the date of the actuarial valuation.

\*\* Assets are stated at cost as of December 31 of the preceding year.



## SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedule include:

- Comparative Statements – General Fund
- Combining Statements – Nonmajor Funds

CITY OF CASTROVILLE  
COMPARATIVE BALANCE SHEETS  
GENERAL FUND  
SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and Investments	\$ 1,183,424	\$ 858,158
Receivables (net of allowances for uncollectibles):		
Property Taxes	8,659	8,659
Other Receivables	113,205	114,543
Due from Other Funds	58,278	57,845
Prepaid Items	<u>1,549</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,365,115</u></u>	<u><u>\$ 1,039,205</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 83,455	\$ 34,180
Accrued Expenditures	72,931	61,522
Due to Other Funds	63,685	341
Deferred/Unearned Revenues	<u>59,393</u>	<u>57,199</u>
<b>TOTAL LIABILITIES</b>	<u><u>279,464</u></u>	<u><u>153,242</u></u>
<i>Fund Balances:</i>		
Nonspendable:		
Prepays	1,549	-
Unassigned	<u>1,084,102</u>	<u>885,963</u>
<i>Total Fund Balances</i>	<u><u>1,085,651</u></u>	<u><u>885,963</u></u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<u><u>\$ 1,365,115</u></u>	<u><u>\$ 1,039,205</u></u>

CITY OF CASTROVILLE  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GENERAL FUND  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>REVENUES</b>		
Ad Valorem Taxes	\$ 661,846	\$ 661,588
Sales Taxes	649,318	581,372
Franchise Fees	17,303	30,122
Other Taxes	2,486	2,198
Licenses and Permits	26,948	30,181
Charges for Services	185,761	185,206
Fines and Forfeitures	222,971	220,140
Intergovernmental Revenue	16,430	14,600
Interest Income	3,277	11,730
Miscellaneous	39,402	22,454
<b>TOTAL REVENUES</b>	<u>1,825,742</u>	<u>1,759,591</u>
<b>EXPENDITURES</b>		
<i>Current:</i>		
General Administration	665,914	665,668
Public Safety		
Animal Control	61,810	57,430
Code Enforcement	125,686	127,361
Municipal Court	87,149	75,357
Police Department	667,571	663,993
Public Transportation		
Streets	246,676	251,786
Culture and Recreation		
Library	195,803	185,934
Parks	232,142	190,739
Pool	91,608	88,178
<i>Capital Outlay</i>	30,077	74,499
<b>TOTAL EXPENDITURES</b>	<u>2,404,436</u>	<u>2,380,945</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	<u>(578,694)</u>	<u>(621,354)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	823,875	783,620
Transfer Out	(45,493)	(11,277)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>778,382</u>	<u>772,343</u>
Net Change in Fund Balance	199,688	150,989
Fund Balances at Beginning of Year	<u>885,963</u>	<u>734,974</u>
Fund Balances at End of Year	<u>\$ 1,085,651</u>	<u>\$ 885,963</u>

CITY OF CASTROVILLE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013

	SPECIAL REVENUE			
	Drainage Fund	Hotel Occupancy Fund	Alsatian House Fund	Biry House Fund
<b>ASSETS</b>				
Cash and Investments	\$ 149,193	\$ 27,253	\$ 6,852	\$ 9,818
Receivables (net of allowances for uncollectibles):				
Property Taxes	-	-	-	-
Other Receivables	-	7,481	-	-
Due from Other Funds	18,509	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 167,702</u>	<u>\$ 34,734</u>	<u>\$ 6,852</u>	<u>\$ 9,818</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ 2,465	\$ 25	\$ -
Due to Other Funds	-	991	-	-
Unearned Revenues	-	-	-	-
<i>Total Liabilities</i>	<u>-</u>	<u>3,456</u>	<u>25</u>	<u>-</u>
<i>Fund Balances:</i>				
Restricted	-	31,278	-	-
Committed	167,702	-	6,827	9,818
Unassigned	-	-	-	-
<i>Total Fund Balances</i>	<u>167,702</u>	<u>31,278</u>	<u>6,827</u>	<u>9,818</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<u>\$ 167,702</u>	<u>\$ 34,734</u>	<u>\$ 6,852</u>	<u>\$ 9,818</u>

SPECIAL REVENUE						
Lone Star Library Grant Fund	BTOP Grant Fund	Library Memorial Fund	DEA Forfeiture Fund	Police Dept. Training Fund	Court Security Fund	Court Technology Fund
\$ 23	\$ 17,180	\$ 5,830	\$ 17,122	\$ 1,064	\$ 15,963	\$ 3,766
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 23</u>	<u>\$ 17,180</u>	<u>\$ 5,830</u>	<u>\$ 17,122</u>	<u>\$ 1,064</u>	<u>\$ 15,963</u>	<u>\$ 3,766</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210
-	18,526	-	-	-	-	-
-	-	-	-	-	-	-
-	18,526	-	-	-	-	210
23	-	5,830	17,122	1,064	15,963	3,556
-	-	-	-	-	-	-
-	(1,346)	-	-	-	-	-
<u>23</u>	<u>(1,346)</u>	<u>5,830</u>	<u>17,122</u>	<u>1,064</u>	<u>15,963</u>	<u>3,556</u>
<u>\$ 23</u>	<u>\$ 17,180</u>	<u>\$ 5,830</u>	<u>\$ 17,122</u>	<u>\$ 1,064</u>	<u>\$ 15,963</u>	<u>\$ 3,766</u>

CITY OF CASTROVILLE  
 COMBINING BALANCE SHEET (CONTINUED)  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2013

	Debt Service Funds	Capital Improvement Funds	Total Non Major Funds
<b>ASSETS</b>			
Cash and Investments	\$ 35	\$ -	\$ 254,099
Receivables (net of allowances for uncollectibles):			
Property Taxes	1,536	-	1,536
Other Receivables	-	-	7,481
Due from Other Funds	18,192	45,493	82,194
	<u>18,192</u>	<u>45,493</u>	<u>82,194</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 19,763</u></u>	<u><u>\$ 45,493</u></u>	<u><u>\$ 345,310</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<i>Liabilities:</i>			
Accounts Payable	\$ -	\$ -	\$ 2,700
Due to Other Funds	95	-	19,612
Unearned Revenues	1,536	-	1,536
	<u>1,536</u>	<u>-</u>	<u>1,536</u>
<i>Total Liabilities</i>	<u>1,631</u>	<u>-</u>	<u>23,848</u>
<i>Fund Balances:</i>			
Restricted	18,132	-	92,968
Committed	-	45,493	229,840
Unassigned	-	-	(1,346)
	<u>-</u>	<u>-</u>	<u>(1,346)</u>
<i>Total Fund Balances</i>	<u>18,132</u>	<u>45,493</u>	<u>321,462</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<u><u>\$ 19,763</u></u>	<u><u>\$ 45,493</u></u>	<u><u>\$ 345,310</u></u>



CITY OF CASTROVILLE  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	SPECIAL REVENUE			
	Drainage Fund	Hotel Occupancy Fund	Alsatian House Fund	Biry House Fund
<b>REVENUES</b>				
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	37,902	-	-
Charges for Services	107,947	-	-	-
Intergovernmental Revenue	-	-	-	-
Interest Income	353	62	15	-
Miscellaneous	-	-	1,790	-
<b>TOTAL REVENUES</b>	<u>108,300</u>	<u>37,964</u>	<u>1,805</u>	<u>-</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
General Administration	-	31,885	83	-
Public Safety				
Municipal Court	-	-	-	-
Police Department	-	-	-	-
Public Transportation				
Streets	55	-	-	-
Culture and Recreation				
Library	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Bond Issue Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>55</u>	<u>31,885</u>	<u>83</u>	<u>-</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>108,245</u>	<u>6,079</u>	<u>1,722</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	(34,666)	-	-	-
Proceeds from Refunding Bonds	-	-	-	-
Premiums on Bonded Debt	-	-	-	-
Payment to Refunding Bond Escrow Agent	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(34,666)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	73,579	6,079	1,722	-
Fund Balances at Beginning of Year	<u>94,123</u>	<u>25,199</u>	<u>5,105</u>	<u>9,818</u>
Fund Balances at End of Year	<u>\$ 167,702</u>	<u>\$ 31,278</u>	<u>\$ 6,827</u>	<u>\$ 9,818</u>



SPECIAL REVENUE						
Lone Star Library Grant Fund	BTOP Grant Fund	Library Memorial Fund	DEA Forfeiture Fund	Police Dept. Training Fund	Court Security Fund	Court Technology Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	4,240	5,652
-	6,524	-	-	-	-	-
23	18	15	34	-	34	8
-	-	1,000	16,279	-	-	-
23	6,542	1,015	16,313	-	4,274	5,660
-	-	-	-	-	-	-
-	-	-	-	-	9,289	11,028
-	-	-	7,995	789	-	-
-	-	-	-	-	-	-
-	6,596	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,596	-	7,995	789	9,289	11,028
23	(54)	1,015	8,318	(789)	(5,015)	(5,368)
-	-	-	-	-	-	-
-	(1,074)	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(1,074)	-	-	-	-	-
23	(1,128)	1,015	8,318	(789)	(5,015)	(5,368)
-	(218)	4,815	8,804	1,853	20,978	8,924
\$ 23	\$ (1,346)	\$ 5,830	\$ 17,122	\$ 1,064	\$ 15,963	\$ 3,556

CITY OF CASTROVILLE  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND BALANCE (CONTINUED)  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Debt Service Funds	Capital Improvement Funds	Total Non Major Funds
<b>REVENUES</b>			
Ad Valorem Taxes	\$ 100,662	\$ -	\$ 100,662
Other Taxes	-	-	37,902
Charges for Services	-	-	117,839
Intergovernmental Revenue	-	-	6,524
Interest Income	3,630	-	4,192
Miscellaneous	-	-	19,069
<b>TOTAL REVENUES</b>	<u>104,292</u>	<u>-</u>	<u>286,188</u>
<b>EXPENDITURES</b>			
<i>Current:</i>			
General Administration	12	-	31,980
Public Safety			
Municipal Court	-	-	20,317
Police Department	-	-	8,784
Public Transportation			
Streets	-	-	55
Culture and Recreation			
Library	-	-	6,596
<i>Debt Service:</i>			
Principal	69,555	-	69,555
Interest and Fiscal Charges	47,710	-	47,710
Bond Issue Costs	65,867	-	65,867
<b>TOTAL EXPENDITURES</b>	<u>183,144</u>	<u>-</u>	<u>250,864</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>(78,852)</u>	<u>-</u>	<u>35,324</u>
<b>OTHER FINANCING</b>			
<b>SOURCES (USES)</b>			
Transfers In	45,579	45,493	91,072
Transfers Out	-	-	(35,740)
Proceeds from Refunding Bonds	1,543,940	-	1,543,940
Premiums on Bonded Debt	76,450	-	76,450
Payment to Refunding Bond Escrow Agent	(1,590,882)	-	(1,590,882)
<b>TOTAL OTHER FINANCING</b>			
<b>SOURCES (USES)</b>	<u>75,087</u>	<u>45,493</u>	<u>84,840</u>
Net Change in Fund Balance	(3,765)	45,493	120,164
Fund Balances at Beginning of Year	<u>21,897</u>	<u>-</u>	<u>201,298</u>
Fund Balances at End of Year	<u>\$ 18,132</u>	<u>\$ 45,493</u>	<u>\$ 321,462</u>

